
SUBSTITUTE HOUSE BILL 2245

State of Washington

69th Legislature

2026 Regular Session

By House Environment & Energy (originally sponsored by Representatives Doglio, Ramel, Berry, Fitzgibbon, Parshley, Callan, Duerr, and Kloba)

READ FIRST TIME 01/30/26.

1 AN ACT Relating to updating provisions for consumer-owned
2 utilities, including port districts, and affected market customers
3 under the clean energy transformation act; amending RCW 19.405.020
4 and 19.405.100; and adding a new section to chapter 19.405 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 19.405.020 and 2025 c 221 s 1 are each amended to
7 read as follows:

8 The definitions in this section apply throughout this chapter
9 unless the context clearly requires otherwise.

10 (1) "Allocation of electricity" means, for the purposes of
11 setting electricity rates, the costs and benefits associated with the
12 resources used to provide electricity to an electric utility's retail
13 electricity consumers that are located in this state.

14 (2) "Alternative compliance payment" means the payment
15 established in RCW 19.405.090(2).

16 (3) "Attorney general" means the Washington state office of the
17 attorney general.

18 (4) "Auditor" means: (a) The Washington state auditor's office or
19 its designee for utilities under its jurisdiction under this chapter
20 that are consumer-owned utilities; or (b) an independent auditor

1 selected by a utility that is not under the jurisdiction of the state
2 auditor and is not an investor-owned utility.

3 (5) (a) "Biomass energy" includes: (i) Organic by-products of
4 pulping and the wood manufacturing process; (ii) animal manure; (iii)
5 solid organic fuels from wood; (iv) forest or field residues; (v)
6 untreated wooden demolition or construction debris; (vi) food waste
7 and food processing residuals; (vii) liquors derived from algae;
8 (viii) dedicated energy crops; and (ix) yard waste.

9 (b) "Biomass energy" does not include: (i) Wood pieces that have
10 been treated with chemical preservatives such as creosote,
11 pentachlorophenol, or copper-chrome-arsenic; (ii) wood from old
12 growth forests; or (iii) municipal solid waste.

13 (6) "Carbon dioxide equivalent" has the same meaning as defined
14 in RCW 70A.45.010.

15 (7) (a) "Coal-fired resource" means a facility that uses coal-
16 fired generating units, or that uses units fired in whole or in part
17 by coal as feedstock, to generate electricity.

18 (b) (i) "Coal-fired resource" does not include unspecified
19 electricity that is included as part of a limited duration wholesale
20 power purchase made by an electric utility for delivery to retail
21 electric customers that are located in this state, where the purchase
22 is:

23 (A) (I) For a contract duration not to exceed three months; or

24 (II) A purchase of system sales for a contract duration not to
25 exceed six months, provided that the purchase is used to demonstrate
26 compliance with the electric utility's seasonal resource adequacy
27 requirements under a regional resource adequacy program; and

28 (B) Not used for the purpose of avoiding the restrictions on
29 coal-fired resources under RCW 19.405.030.

30 (ii) "Coal-fired resource" does not include an electric
31 generating facility that is subject to an obligation to meet the
32 standards contained in RCW 80.80.040(3)(c).

33 (8) "Commission" means the Washington utilities and
34 transportation commission.

35 (9) "Conservation and efficiency resources" means any reduction
36 in electric power consumption that results from increases in the
37 efficiency of energy use, production, transmission, or distribution.

38 (10) (a) "Consumer-owned utility" means a municipal electric
39 utility formed under Title 35 RCW, a public utility district formed
40 under Title 54 RCW, an irrigation district formed under chapter 87.03

1 RCW, a cooperative formed under chapter 23.86 RCW, (~~or~~) a mutual
2 corporation or association formed under chapter 24.06 RCW, or a port
3 district formed under Title 53 RCW, that is engaged in the business
4 of distributing electricity to (~~more than~~) at least one retail
5 electric customer in the state.

6 (b) "Consumer-owned utility" does not include a public utility
7 district formed under Title 54 RCW with only one retail electric
8 customer in the state provided the customer remains the same as of
9 January 1, 2026, and the public utility district continues to receive
10 100 percent of its electricity needs from the Bonneville power
11 administration.

12 (11) "Demand response" means changes in electric usage by demand-
13 side resources from their normal consumption patterns in response to
14 changes in the price of electricity, or to incentive payments
15 designed to induce lower electricity use, at times of high wholesale
16 market prices or when system reliability is jeopardized. "Demand
17 response" may include measures to increase or decrease electricity
18 production on the customer's side of the meter in response to
19 incentive payments.

20 (12) "Department" means the department of commerce.

21 (13) "Distributed energy resource" means a nonemitting electric
22 generation or renewable resource or program that reduces electric
23 demand, manages the level or timing of electricity consumption, or
24 provides storage, electric energy, capacity, or ancillary services to
25 an electric utility and that is located on the distribution system,
26 any subsystem of the distribution system, or behind the customer
27 meter, including conservation and energy efficiency.

28 (14) "Electric utility" or "utility" means a consumer-owned
29 utility or an investor-owned utility.

30 (15) "Energy assistance" means a program undertaken by a utility
31 to reduce the household energy burden of its customers.

32 (a) Energy assistance includes, but is not limited to,
33 weatherization, conservation and efficiency services, and monetary
34 assistance, such as a grant program or discounts for lower income
35 households, intended to lower a household's energy burden.

36 (b) Energy assistance may include direct customer ownership in
37 distributed energy resources or other strategies if such strategies
38 achieve a reduction in energy burden for the customer above other
39 available conservation and demand-side measures.

1 (16) "Energy assistance need" means the amount of assistance
2 necessary to achieve a level of household energy burden established
3 by the department or commission.

4 (17) "Energy burden" means the share of annual household income
5 used to pay annual home energy bills.

6 (18)(a) "Energy transformation project" means a project or
7 program that: Provides energy-related goods or services, other than
8 the generation of electricity; results in a reduction of fossil fuel
9 consumption and in a reduction of the emission of greenhouse gases
10 attributable to that consumption; and provides benefits to the
11 customers of an electric utility.

12 (b) "Energy transformation project" may include but is not
13 limited to:

14 (i) Home weatherization or other energy efficiency measures,
15 including market transformation for energy efficiency products, in
16 excess of: The target established under RCW 19.285.040(1), if
17 applicable; other state obligations; or other obligations in effect
18 on May 7, 2019;

19 (ii) Support for electrification of the transportation sector
20 including, but not limited to:

21 (A) Equipment on an electric utility's transmission and
22 distribution system to accommodate electric vehicle connections, as
23 well as smart grid systems that enable electronic interaction between
24 the electric utility and charging systems, and facilitate the
25 utilization of vehicle batteries for system needs;

26 (B) Incentives for the sale or purchase of electric vehicles,
27 both battery and fuel cell powered, as authorized under state or
28 federal law;

29 (C) Incentives for the installation of charging equipment for
30 electric vehicles;

31 (D) Incentives for the electrification of vehicle fleets
32 utilizing a battery or fuel cell for electric supply;

33 (E) Incentives to install and operate equipment to produce or
34 distribute renewable hydrogen; and

35 (F) Incentives for renewable hydrogen fueling stations;

36 (iii) Investment in distributed energy resources and grid
37 modernization to facilitate distributed energy resources and improved
38 grid resilience;

39 (iv) Investments in equipment for renewable natural gas
40 processing, conditioning, and production, or equipment or

1 infrastructure used solely for the purpose of delivering renewable
2 natural gas for consumption or distribution;

3 (v) Contributions to self-directed investments in the following
4 measures to serve the sites of large industrial gas and electrical
5 customers: (A) Conservation; (B) new renewable resources; (C) behind-
6 the-meter technology that facilitates demand response cooperation to
7 reduce peak loads; (D) infrastructure to support electrification of
8 transportation needs, including battery and fuel cell
9 electrification; or (E) renewable natural gas processing,
10 conditioning, or production; and

11 (vi) Projects and programs that achieve energy efficiency and
12 emission reductions in the agricultural sector, including bioenergy
13 and renewable natural gas projects.

14 (19) "Fossil fuel" means natural gas, petroleum, coal, or any
15 form of solid, liquid, or gaseous fuel derived from such a material.

16 (20) "Governing body" means: The council of a city or town; the
17 commissioners of an irrigation district, municipal electric utility,
18 or public utility district; or the board of directors of an electric
19 cooperative or mutual association that has the authority to set and
20 approve rates.

21 (21) "Greenhouse gas" includes carbon dioxide, methane, nitrous
22 oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and
23 any other gas or gases designated by the department of ecology by
24 rule under RCW 70A.45.010.

25 (22) "Highly impacted community" means a community designated by
26 the department of health based on cumulative impact analyses in RCW
27 19.405.140 or a community located in census tracts that are fully or
28 partially on "Indian country" as defined in 18 U.S.C. Sec. 1151.

29 (23) "Investor-owned utility" means a company owned by investors
30 that meets the definition of "corporation" in RCW 80.04.010 and is
31 engaged in distributing electricity to more than one retail electric
32 customer in the state.

33 (24) "Low-income" means household incomes as defined by the
34 department or commission, provided that the definition may not exceed
35 the higher of eighty percent of area median household income or two
36 hundred percent of the federal poverty level, adjusted for household
37 size.

38 (25) (a) "Market customer" means a nonresidential (~~customer of an~~
39 ~~electric utility~~) consumer of electricity that: (i) Purchases
40 electricity from an entity (~~or entities other than the utility with~~

1 ~~which it is directly interconnected))~~ that is not a utility subject
2 to this chapter; or (ii) generates electricity (~~to meet one hundred~~
3 ~~percent of its own needs))~~ for its own consumption or its lessee's
4 consumption, or both.

5 (b) An "affected market customer" is (~~a customer of a utility~~)
6 an electricity consumer who becomes a market customer after May 7,
7 2019.

8 (c) "Affected market customer" does not include a residential
9 customer of an electric utility that, prior to May 7, 2019, generated
10 electricity to meet less than 100 percent of its own needs and
11 continues to consume electricity with the same or greater percentage
12 of nonemitting electric generation and electricity from renewable
13 resources for the same end uses.

14 (26)(a) "Natural gas" means naturally occurring mixtures of
15 hydrocarbon gases and vapors consisting principally of methane,
16 whether in gaseous or liquid form, including methane clathrate.

17 (b) "Natural gas" does not include renewable natural gas or the
18 portion of renewable natural gas when blended into other fuels.

19 (27)(a) "Nonemitting electric generation" means electricity from
20 a generating facility or a resource that provides electric energy,
21 capacity, or ancillary services to an electric utility and that does
22 not emit greenhouse gases as a by-product of energy generation.

23 (b) "Nonemitting electric generation" does not include renewable
24 resources.

25 (28)(a) "Nonpower attributes" means all environmentally related
26 characteristics, exclusive of energy, capacity reliability, and other
27 electrical power service attributes, that are associated with the
28 generation of electricity, including but not limited to the
29 facility's fuel type, geographic location, vintage, qualification as
30 a renewable resource, and avoided emissions of pollutants to the air,
31 soil, or water, and avoided emissions of carbon dioxide and other
32 greenhouse gases.

33 (b) "Nonpower attributes" does not include any aspects, claims,
34 characteristics, and benefits associated with the on-site capture and
35 destruction of methane or other greenhouse gases at a facility
36 through a digester system, landfill gas collection system, or other
37 mechanism, which may be separately marketable as greenhouse gas
38 emission reduction credits, offsets, or similar tradable commodities.
39 However, these separate avoided emissions may not result in or

1 otherwise have the effect of attributing greenhouse gas emissions to
2 the electricity.

3 (29) "Qualified transmission line" means an overhead transmission
4 line that is: (a) Designed to carry a voltage in excess of one
5 hundred thousand volts; (b) owned in whole or in part by an investor-
6 owned utility; and (c) primarily or exclusively used by such an
7 investor-owned utility as of May 7, 2019, to transmit electricity
8 generated by a coal-fired resource.

9 (30) "Renewable energy credit" means a tradable certificate of
10 proof of one megawatt-hour of a renewable resource. The certificate
11 includes all of the nonpower attributes associated with that one
12 megawatt-hour of electricity and the certificate is verified by a
13 renewable energy credit tracking system selected by the department.

14 (31) "Renewable hydrogen" means hydrogen produced using renewable
15 resources both as the source for the hydrogen and the source for the
16 energy input into the production process.

17 (32) "Renewable natural gas" means a gas consisting largely of
18 methane and other hydrocarbons derived from the decomposition of
19 organic material in landfills, wastewater treatment facilities, and
20 anaerobic digesters.

21 (33) "Renewable resource" means: (a) Water; (b) wind; (c) solar
22 energy; (d) geothermal energy; (e) renewable natural gas; (f)
23 renewable hydrogen; (g) wave, ocean, or tidal power; (h) biodiesel
24 fuel that is not derived from crops raised on land cleared from old
25 growth or first growth forests; or (i) biomass energy.

26 (34)(a) "Retail electric customer" means a person or entity that
27 purchases electricity from any electric utility for ultimate
28 consumption and not for resale.

29 (b) "Retail electric customer" does not include, in the case of
30 any electric utility, any person or entity that purchases electricity
31 exclusively from carbon-free and eligible renewable resources, as
32 defined in RCW 19.285.030 as of January 1, 2019, pursuant to a
33 special contract with an investor-owned utility approved by an order
34 of the commission prior to May 7, 2019.

35 (35) "Retail electric load" means:

36 (a) With respect to an electric utility, the amount of megawatt-
37 hours of electricity delivered in a given calendar year by an
38 electric utility to its Washington retail electric customers. "Retail
39 electric load" does not include:

1 ~~((a))~~ (i) Megawatt-hours delivered from qualifying facilities
2 under the federal public utility regulatory policies act of 1978,
3 P.L. 95-617, in operation prior to May 7, 2019, provided that no
4 entity other than the electric utility can make a claim on delivery
5 of the megawatt-hours from those resources; or

6 ~~((b))~~ (ii) Megawatt-hours delivered to an electric utility's
7 system from a renewable resource through a voluntary renewable energy
8 purchase by a retail electric customer of the utility in which the
9 renewable energy credits associated with the megawatt-hours delivered
10 are retired on behalf of the retail electric customer;

11 (b) With respect to an affected market customer, the amount of
12 megawatt-hours of electricity purchased from an entity that is not a
13 utility subject to this chapter or generated by the affected market
14 customer for its own consumption.

15 (36) "Thermal renewable energy credit" means, with respect to a
16 facility that generates electricity using biomass energy that also
17 generates thermal energy for a secondary purpose, a renewable energy
18 credit that is equivalent to three million four hundred twelve
19 thousand British thermal units of energy used for such secondary
20 purpose.

21 (37) "Unbundled renewable energy credit" means a renewable energy
22 credit that is sold, delivered, or purchased separately from
23 electricity. All thermal renewable energy credits are considered
24 unbundled renewable energy credits.

25 (38) "Unspecified electricity" means an electricity source for
26 which the fuel attribute is unknown or has been separated from the
27 energy delivered to retail electric customers.

28 (39) "Vulnerable populations" means communities that experience a
29 disproportionate cumulative risk from environmental burdens due to:

30 (a) Adverse socioeconomic factors, including unemployment, high
31 housing and transportation costs relative to income, access to food
32 and health care, and linguistic isolation; and

33 (b) Sensitivity factors, such as low birth weight and higher
34 rates of hospitalization.

35 **Sec. 2.** RCW 19.405.100 and 2025 c 221 s 3 are each amended to
36 read as follows:

37 (1) It is the intent of this chapter that the commission and
38 department adopt rules to streamline the implementation of chapter
39 288, Laws of 2019 with chapter 19.285 RCW to simplify compliance and

1 avoid duplicative processes. It is the intent of the legislature that
2 the commission and the department coordinate in developing rules
3 related to process, timelines, and documentation that are necessary
4 for the implementation of this chapter.

5 (2) The commission may adopt rules to ensure the proper
6 implementation and enforcement of this chapter as it applies to
7 investor-owned utilities.

8 (3) The department may adopt rules to ensure the proper
9 implementation and enforcement of this chapter as it applies to
10 consumer-owned utilities. Nothing in this subsection may be construed
11 to restrict the rate-making authority of the governing body of a
12 consumer-owned utility as otherwise provided by law.

13 (4)(a) The department must adopt rules establishing reporting
14 requirements for electric utilities to demonstrate compliance with
15 this chapter. The requirements must, to the extent practicable, be
16 consistent with the disclosures required under chapter 19.29A RCW.

17 (b) The commission must adopt rules establishing reporting
18 requirements for affected market customers to demonstrate compliance
19 with this chapter. The requirements must, to the extent practicable,
20 be consistent with the disclosures required under chapter 19.29A RCW.
21 The commission may waive reporting requirements for affected market
22 customers that only procure power from nonemitting electric
23 generation or renewable resources and for affected market customers
24 that generate electricity using de minimis amounts of fossil fuels
25 exclusively for purposes of emergency backup requirements.

26 (c) Beginning with the interim performance report due July 1,
27 2026, consumer-owned electric utilities must include in each interim
28 performance or compliance report the number of unspecified
29 electricity contracts with terms greater than 31 days used to serve
30 Washington retail customers. The report will include information
31 regarding the duration and purpose of the unspecified contracts and
32 the months contracted.

33 (5) An investor-owned utility must also report all information
34 required in subsection (4)(a) of this section to the commission.

35 (6) An electric utility must also make reports required in this
36 section available to its retail electric customers.

37 (7) The department of ecology must adopt rules, in consultation
38 with the commission and the department of commerce, to establish
39 requirements for energy transformation project investments including,

1 but not limited to, verification procedures, reporting standards, and
2 other logistical issues as necessary.

3 (8) The department must adopt rules providing for the measuring
4 and tracking of thermal renewable energy credits that may be used for
5 compliance under RCW 19.405.040.

6 (9) Pursuant to the administrative procedure act, chapter 34.05
7 RCW, rules needed for the implementation of this chapter must be
8 adopted by January 1, 2021, unless specified otherwise elsewhere in
9 this chapter. These rules may be revised as needed to carry out the
10 intent and purposes of this chapter.

11 NEW SECTION. **Sec. 3.** A new section is added to chapter 19.405
12 RCW to read as follows:

13 For affected market customers, the commission must, on its own
14 motion or if requested, enforce compliance with the requirements of
15 this chapter.

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